

104TH CONGRESS
2D SESSION

H. R. 3559

To amend the Internal Revenue Code of 1986 to provide a deduction for a portion of the fiscal year 1996 transitional payment under the Agricultural Market Transition Act which is deposited into a reserve against future farm losses.

IN THE HOUSE OF REPRESENTATIVES

MAY 30, 1996

Mr. NETHERCUTT (for himself and Mr. HASTINGS of Washington) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a deduction for a portion of the fiscal year 1996 transitional payment under the Agricultural Market Transition Act which is deposited into a reserve against future farm losses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DEDUCTION FOR TRANSITION PAYMENT DE-**
4 **POSITED INTO AGRICULTURAL MARKET**
5 **TRANSITION RESERVE.**

6 (a) IN GENERAL.—Subpart C of part II of sub-
7 chapter E of chapter 1 of the Internal Revenue Code of

1 1986 (relating to taxable year in which deductions taken)
2 is amended by inserting after section 468B the following
3 new section:

4 **“SEC. 468C. AGRICULTURAL MARKET TRANSITION RE-**
5 **SERVE.**

6 “(a) IN GENERAL.—At the election of the taxpayer,
7 there shall be allowed as a deduction for the taxable year
8 in which the taxpayer receives the first-year agricultural
9 market transition payment an amount equal to the
10 amount paid by the taxpayer during such taxable year to
11 the Agricultural Market Transition Reserve (hereinafter
12 referred to as the ‘Reserve’) of the taxpayer.

13 “(b) LIMITATION ON AMOUNT PAID INTO RE-
14 SERVE.—

15 “(1) IN GENERAL.—The amount which a tax-
16 payer may pay into the Reserve shall not exceed the
17 lesser of—

18 “(A) \$40,000, or

19 “(B) the amount of the first-year agricul-
20 tural market transition payment.

21 “(2) FIRST-YEAR AGRICULTURAL MARKET
22 TRANSITION PAYMENT.—For purposes of this sec-
23 tion, the first-year agricultural market transition
24 payment is the amount received by the taxpayer
25 under section 1103 of the Agricultural Market Tran-

1 sition Act for the first fiscal year the taxpayer par-
 2 ticipates in the program under such section.

3 “(3) SPECIAL RULE FOR PARTNERSHIPS,
 4 ETC.—In the case of a partnership, the limitation
 5 under this subsection shall be applied at the partner
 6 level and not at the partnership level. A similar rule
 7 shall apply to S corporations.

8 “(c) INCLUSION OF AMOUNTS DISTRIBUTED.—There
 9 shall be includible in the gross income of the taxpayer for
 10 any taxable year—

11 “(1) any amount distributed from the Reserve
 12 during such taxable year, and

13 “(2) any deemed distribution under subsection
 14 (e).

15 “(d) AGRICULTURAL MARKET TRANSITION RE-
 16 SERVE.—

17 “(1) IN GENERAL.—For purposes of this sec-
 18 tion, the term ‘Agricultural Market Transition Re-
 19 serve’ means a reserve established by the taxpayer
 20 for purposes of this section.

21 “(2) RESERVE EXEMPT FROM TAXATION.—Any
 22 Agricultural Market Transition Reserve is exempt
 23 from taxation under this subtitle unless such Re-
 24 serve has ceased to be an Agricultural Market Tran-
 25 sition Reserve by reason of subsection (e). Notwith-

1 standing the preceding sentence, any such Reserve
2 shall be subject to the taxes imposed by section 511
3 (relating to imposition of tax on unrelated business
4 income of charitable, etc. organizations).

5 “(3) CONTRIBUTIONS TO RESERVE.—The Re-
6 serve shall not accept any payments (or other
7 amounts) other than payments with respect to which
8 a deduction is allowable under subsection (a).

9 “(4) PROHIBITIONS AGAINST SELF-DEALING.—
10 Under regulations prescribed by the Secretary, for
11 purposes of section 4951 (and so much of this title
12 as relates to such section), the Reserve shall be
13 treated in the same manner as a trust described in
14 section 501(c)(21).

15 “(e) DEEMED DISTRIBUTIONS.—

16 “(1) DISQUALIFICATION OF RESERVE FOR
17 SELF-DEALING.—In any case in which a Reserve vio-
18 lates any provision of this section or section 4951,
19 the Secretary may disqualify such Reserve from the
20 application of this section. In any case to which this
21 paragraph applies, the Reserve shall be treated as
22 having distributed all of its funds on the date such
23 determination takes effect.

24 “(2) TERMINATION.—A Reserve shall be treat-
25 ed as having distributed all of its funds on the date

1 which is 10 years after the date such Reserve was
2 established.

3 “(f) TIME WHEN PAYMENTS DEEMED MADE.—For
4 purposes of this section, a taxpayer shall be deemed to
5 have made a payment to the Reserve on the last day of
6 a taxable year if such payment is made on account of such
7 taxable year and is made within 2½ months after the close
8 of such taxable year.”

9 (b) CLERICAL AMENDMENT.—The table of sections
10 for subpart C of part II of subchapter E of chapter 1 of
11 such Code is amended by inserting after the item relating
12 to section 468B the following new item:

“Sec. 468C. Agricultural Market Transition Reserve.”

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

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